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ABSTRACT

The monograph explores basic needs of all human beings and considers various patterns of growth and development toward meeting these needs on a sustainable basis. The purpose of the study is to improve knowledge of analytical studies, research results, and financial assistance policies among personnel of the Agency for International Development (AID) and to stimulate discussion between AID personnel and other interested persons. The report is global in scope but the discussion is general and there are few references to specific countries. Chapter I presents a framework for analysis of the basic human needs approach. The framework concentrates on establishing an explicit hierarchy of objectives based on numbers of poor individuals now and in the future, intangible goals, birth rates, material well-being, economic planning, income, production, resources, and employment. Chapter II explores policies that might be suitable in various settings for meeting basic needs in areas of productive employment, income, private goods, and public services. Chapter III analyzes channels through which various policies would affect growth rates of gross national product. A final section suggests that the development process should provide for sustainable improvements over time in the well-being of those who are too poor to satisfy their basic human needs. The conclusion is that the basic needs approach provides a workable framework to link needs, income, employment, production, and supply objectives. (DB)

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AID Discussion Paper No. 38

BASIC HUMAN NEEDS:

A DEVELOPMENT PLANNING APPROACH *

by

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Agency for International Development

Bureau for Intragovernmental and International Affairs

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A.I.D. DISCUSSION PAPERS

A.I.D. Discussion Papers are circulated for informational purposes. These papers are intended to serve several functions: to improve knowledge of analytical studies, research results and assistance policies among Agency personnel; to encourage the careful recording and analysis of Agency experience and problems by persons currently engaged in them; and to share such experience and ideas with interested persons outside the Agency. These papers are designed to stimulate and serve as background for discussion. They represent the views of the authors and are not intended as statements of Agency policy.

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Introduction

In the past three decades, perceptions of development objectives have been increasingly refined. Early views of development included an underlying concern for improving the situation of the poor in developing countries, but focused largely on achieving more proximate objectives such as high rates of growth in GNP, that eventually were to entail broadly based increases in standards of living. However, the links between higher rates of GNP growth and widespread improvements in well-being have proved to be more tenuous and elusive than expected, so that concern with these linkages has steadily mounted. The basic human needs (BHN) approach brings this concern to the forefront by directly focusing on patterns of growth and development in terms of their contribution to meeting basic needs on a sustainable basis.

The basic human needs approach was first put forth in an international forum by the International Labour Office (ILO) at its 1976 World Employment Conference, and was subsequently elaborated by others at the World Bank, the OECD and within A.I.D.[1/] These various presentations of the basic needs approach have spawned a number of critical responses.

One reaction has been that the BHN approach is nothing new -- that development efforts have been concentrating on employment, income distribution, rural development, etc. for some time, so that the basic

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1/ See International Labour Office (1976), Streeten (1977), Burki and Voorhoeve (1977), Development Assistance Committee (1977), Crosswell (1977), Agency for International Development (1978).

needs approach is simply a different label attached to the same product. A second reaction is that the BHN approach is little more than a slogan that expresses a worthy intention but offers no concrete policy guidance. Accordingly, it may be of some use in generating political support but not in formulating development plans. A third reaction acknowledges that the basic needs approach has content, but views policies for meeting basic needs as inimical to growth. At the extreme, the view is that one dollar spent on meeting basic needs is one dollar less for productive investment and growth so that the two objectives are in practice dichotomous. A corollary of this is the reaction that basic needs is ancillary to the overall business of development. Fourth, among the more political reactions, basic needs is perceived by some as an improper focus for a cooperative (i.e. donor/recipient) development effort. Instead it is a matter of priorities internal to developing countries.

This paper directly confronts the first three of these reactions, and thereby offers some input for consideration of the fourth. According to the interpretation set out in this paper, the BHN approach proceeds from the assumption that the ultimate objective of development strategies is to achieve sustainable improvements in the material well-being of individuals, and establishes explicit links between this ultimate (but vague) objective and more proximate concrete objectives that have more direct policy implications. It thus represents a step forward in providing a coherent framework that can accommodate

the increasingly refined sets of development objectives that have evolved over the past thirty years, and can systematically relate these objectives to various types of policies. The first section of the paper sets out this framework, and thereby highlights what is new in the basic needs approach -- that it provides a better framework for development planning and policy.

The second section of the paper explores in a general way the policies that might be suitable in one setting or another for meeting basic needs. This section does not purport to represent an original discussion of new policy instruments -- indeed, it should be emphasized that policies for meeting basic needs are on the whole quite familiar, and that the problems surrounding implementation of such policies have not vanished. Instead, this section seeks to demonstrate that the framework developed earlier is in fact a valuable tool for planning and organizing development policy in a coherent, internally consistent fashion.

These first two sections of the paper refer to GNP growth in terms of its contribution to meeting basic needs on a sustainable basis, and stress the importance of the pattern of growth -- in terms of the composition of increases in output and employment and the distribution of increases in income -- that underlies the aggregate rate of growth. However, given the widespread concern with GNP growth per se, it is important to explore the implications of a basic needs approach for growth rates of GNP (rather than vice versa).

Accordingly, the third section of the paper looks at the channels through which BHN policies would affect growth rates of GNP and examines arguments about whether these effects might be positive or negative.

I. A Framework for Analysis

The framework described in this section of the paper attempts to order the elements of a BHN strategy in such a way as to facilitate planning and organization of the general policies entailed by a BHN approach, and analysis of the relationship between BHN and growth. The key feature of the framework is that it attempts to order ends and means by establishing an explicit hierarchy of objectives, from ultimate objectives that have only vague policy implications to more immediate objectives that have quite direct implications for policy.

Ultimately, BHN objectives comprise the current and future well-being of individuals. There are many factors, tangible and intangible, that determine well-being. The more concrete objective of the BHN approach is to enable individuals to attain on a sustainable basis a minimum standard of living defined in material terms, which is a more or less necessary condition (though not sufficient) for attaining acceptable levels of well-being. This is, a BHN strategy focuses on the tangible necessities of life -- food, water, clothing, shelter, health, education, etc. -- without which a person has little or no chance to lead a fulfilling existence.[2/] The less tangible needs -- a sense of autonomy, self-realization, etc. -- are considerably more difficult to define, analyze and satisfy. They are for the

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2/ These broad categories are common to most discussions of basic needs, but do not exhaust the possibilities. Further, specification and quantification within these categories would vary from group to group and over time.

most part beyond the scope of this paper, except for the caveat that policies providing for material objectives of a BHN strategy should be supportive of the more intangible goals. This provides one of several good justifications for stressing the importance of participation of the poor -- those who cannot satisfy their basic needs -- in decisions concerning the design and implementation of policies that enhance their capacity to meet these needs.

Of course, development strategies must provide for increases in overall GNP, including policies and programs that have a positive impact on living standards of those already able to satisfy their basic needs. The BHN approach per se does not purport to cover all aspects of development planning. However, it does provide a suitable basis for a planning framework in situations where a high priority is placed on achieving a pattern of growth that results in alleviation of absolute poverty on a sustainable basis. Such a priority is appropriate and plausible not only on the grounds that the needs of those in poverty are relatively urgent, but also on the basis that poverty is widespread. Estimates of the proportion of the developing world's population that cannot meet basic needs range as high as 84 percent.[3/] The corresponding figures for many of the lower-income countries would, of course, be even higher. Accordingly, any effort to raise living standards of the poor in such countries would necessarily entail policies and programs that would have broadly positive impacts on incomes and overall GNP.

3/ See Richards (1976)

For purposes of economic planning and policy, it is useful to discuss minimum standards of living in terms of consumption levels of key goods and services.[4/] The concept of minimum standard levels of consumption is in principle straightforward for goods such as food, clothing, water and shelter. For education and health the concept is more difficult, but might embody years of education (however defined) and consumption of preventive health services -- examinations, innoculations, etc. -- as well as curative services as needed. The explicit target group of a BHN strategy is the poor, those whose current level of consumption is below the standard levels. The intermediate objective of a BHN strategy is to enable the poor to progressively (over time) narrow the gap between their present consumption levels and the minimum standard levels, as a means of achieving the more ultimate objective of enhanced well-being.

At this stage, BHN objectives have at least three dimensions: the number of poor, the types of essential goods and services, and time.[5/] The fact that BHN objectives comprise not only current but

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4/ For an example with reference to Bangladesh, see Khan (1977)

5/ One formal expression of the objective function for meeting basic needs would be:

$$\text{Min} \sum_t \sum_i \sum_j (\bar{C}_{ijt} - C_{ijt})/(1+r)^t$$

where $\bar{C}_{ijt}$ corresponds to the minimum standard level of consumption of good i by person j in period t; C_{ijt} is actual consumption in cases where actual levels fall below standard levels; and r expresses the appropriate social rate of discount.

future consumption levels immediately and inevitably introduces the need to consider savings, investment and growth, since savings commonly represents a decision to forego consumption now for the sake of investing and obtaining greater consumption possibilities in the future. Once this time dimension is considered, the dichotomy that separates efforts to meet basic needs from efforts to achieve higher rates of growth is exposed as false dichotomy, and the role of growth in meeting basic needs over time becomes more evident. However, not only are the rates of investment and growth important, but also the pattern, i.e. the composition of increases in output and the distribution of increases in income.

Secondly, the fact that BHN objectives are defined in terms of numbers of poor individuals now and in the future suggests a potentially important role for population policies that would retard birth rates. The volume of resources required to achieve increased satisfaction of basic needs will depend not only on the number of poor, but also on the composition by age, and the implied dependency ratios. This rationale for population policies exists apart from the consideration of whether access to contraceptive methods and/or smaller family size is perceived to be a basic human need. 6/

6/ While the economic rationale for these policies can be appraised in a straightforward way, they may be difficult in view of political considerations. At the same time, more complete satisfaction of basic needs can lead to lower birth rates because of greater economic security and a higher probability that children will survive and remain healthy.

Thirdly, the definition of the goods and services that satisfy basic human needs suggests several important considerations. While the broad categories cited above are likely to be common to all countries, the specific goods and services, and the levels of consumption would tend to vary across countries, and within countries, according to social, cultural and geographic factors. Since what is perceived as needs depends in some measure on resource availability, there is also likely to be variation over time in the specification of a minimum standard of living. In this sense, basic needs are country-specific and dynamic.[7/]

The broad categories of basic needs also suggest the likelihood of important interdependencies in both production and consumption. For instance, shelter, water and sanitation are likely to be closely linked in their provision. Secondly, the volume of health services required by a person probably declines as other needs are met. Accordingly, the sum of the resource costs of attaining each consumption target separately tends to overstate the cost of covering all consumption deficiencies together. These interdependencies suggest the need for an integrated approach, which in turn points to the usefulness of planning.[8/]

7/ This does not preclude the possibility of some meaningful universal targets that correspond to standards common to or exceeded by all countries, e.g. a certain level of calorie intake to be achieved (or exceeded) by all countries.

8/ Some of these interdependencies are discussed in Brown and Burki (1978).

Finally, while basic needs objectives have so far been described in terms of consumption levels of goods and services, much of this consumption is more accurately characterized as investment in human capital through better health, education and nutrition. Such investment may be justifiable on pure efficiency grounds, apart from considerations of equity.9/

So far, the ultimate objectives of a BHN approach have been described in terms of levels of well-being of individuals; a necessary condition or means of attaining these objectives has been discussed in terms of sustainable levels of current and future consumption of essential goods and services. In turn, there are two necessary conditions for achieving such consumption levels. First, there must be adequate overall production and supplies of the needed goods and services, distributed in forms and geographic areas so as to be widely accessible. Secondly, people must have enough income to be able to acquire these goods and services. These two intermediate objectives -- sufficient income and adequate production -- are highly interrelated but conceptually distinct, as for example in the national income and product accounts. They are interrelated in that certain policies can contribute to achieving both objectives simultaneously. For instance, policies that enable people to better meet their dietary needs by growing more food would increase both income and output. Further, the adequacy of production and supply of essential

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9/ For example, see Selowsky and Taylor (1973)

goods and services will in general have an effect on prices, which in turn will help determine the sufficiency of a given level of income. At the same time the distinctions between income and production objectives are crucial. For purposes of more completely satisfying basic needs, it does little good to achieve adequate overall food supplies, as many countries have, if people have insufficient income to obtain food. Similarly, it is of limited value to achieve higher income levels if there are no water or health facilities nearby, or if rising food prices erode the purchasing power of that income. In this respect there are two sides to the problem of meeting basic needs. This integrated focus on both income and production -- more specifically on the pattern of production and the distribution of income -- distinguishes the basic needs approach from other development strategies which focus on employment and income distribution alone, without separate concern for the composition of output. 10/

The intermediate objectives of sufficient income and adequate production and supply of essential goods and services can in turn be broken down into public and private components. For purposes of a BHN strategy, there are two types of income; earned income and income transfers. Earned income in this case comprises returns to labor and returns to assets, such as land. Transfers are customarily defined as payments for which no goods or services are received in return. Comparisons of the extent of poverty with overall resource availability in most developing countries suggest that policies directed towards

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10/ For example, Chenery and Associates (1974)

achieving sufficient income must focus mainly on generating more productive employment. [11/] These policies, which are described in more detail in the next section, would in general include expanding employment opportunities at wages sufficient to meet basic needs; increasing human capital; and increasing the stock of physical assets and resources available to the self-employed poor. However, for that (presumably small) group which can neither be productively employed nor supported by those who are, some form of transfers will be necessary if their needs are to be met. Transfers might hypothetically take the form of direct supplements to financial income, for example, cash grants. However, for reasons discussed below, it is more likely that transfers would be in forms that more directly promote consumption of essential goods and services, for instance, food subsidies, building materials, subsidized education and health, etc.

On the production side, needed goods and services can be divided into those frequently provided publicly (though not necessarily gratis) and those available through private markets. For public services, the strategy calls for direct public production and distribution in forms and geographic areas that make them widely accessible. For goods that are typically produced privately, adequate supplies can in general be achieved through some combination of domestic production and imports, e.g. food. This may call for more or less direct public sector intervention, with the possibilities ranging from policies that affect profitability in key sectors to policies that more directly determine the pattern of private investment to direct public production.

11/ This argument is elaborated on p 23.

Apart from its potential usefulness in relating concrete policy objectives to more ultimate development objectives having to do with well-being, this framework also suggests some of the targets and indicators that might be associated with a BHN approach. The framework elaborated above starts with the ultimate objectives of a BHN strategy -- the current and future well-being of individuals. Well-being depends (in part) on achieving a minimum standard of living defined in terms of consumption of essential goods and services. Attaining consumption objectives calls for adequate production and supply of these goods and services, and for income levels sufficient to acquire them. These can be accomplished via goals in terms of employment and income transfers on the income side, and production, supply and distribution of certain public services and private goods on the supply side.

The targets and indicators suggested by this framework of objectives are first of all those relating directly to well-being. These might include inter alia indicators such as life expectancy, infant mortality, morbidity and literacy where these measures are calculated with particular attention to the poor.[12/] Insofar as low birth rates and fertility rates indicate a greater sense of economic well-being, these might also be useful indicators. A second set of targets and indicators might relate more directly to

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12/ e.g. using the national average of life expectancy as an indicator has some of the same problems as using overall per capita income, in that distribution is ignored. These problems are less severe in that the range of variation for life expectancy is relatively limited compared with the range of variation for per capita incomes of various groups within a country.

consumption and living standards, i.e. variables included in housing and nutrition surveys, school attendance, consumption of health services, etc. A third set of targets and indicators would measure income and employment among the poor, and availability of essential goods and services, e.g. supply and productive capacity for food and housing; number and location of clinics, schools and trained personnel; sanitation and water networks; etc.

II. Policies for Meeting Basic Human Needs

The value of the framework elaborated above depends on how well it serves as a device for organizing and planning development policies. The policies mentioned in this section are quite general, cover a broad spectrum, and should be familiar to most readers. The specific mix of these policies would vary from country to country, depending on the scope and nature of poverty, and the social and political institutions for dealing with poverty. The purpose of this section of the paper is to place the policy options in a coherent framework and to make explicit how these policies might contribute to meeting basic needs.

The policy discussion is organized around the four intermediate objectives of a BHN approach -- those having to do with employment, transfers, public services, and private goods. There are two immediately apparent areas of overlap. First, some policies such as land reform may simultaneously promote the two objectives of increased food production and more productive employment of the poor. More generally, to the extent that shifts in the pattern of production

towards essential goods and services entail increases in the labor intensity of production, both employment and supply objectives will be served. However, the objectives of employment and output are conceptually distinct, since achieving objectives in terms of output and supply will in general not generate enough jobs to meet employment and income objectives.[13/]

A second area of overlap has to do with production and distribution of public services and transfers. Often health and education services are offered at subsidized rates, or even gratis, a form of transfer in kind. Indeed, for some public services, e.g. central water taps, there may be no efficient way of directly charging to cover costs. In other cases such as health and education, public production and

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13/ There are two lines of reasoning underlying this claim. First, suppose that the BHN consumption bundle costs $200 per person, but that some of the direct or indirect value added embodied in that cost necessarily accrues to the non-poor, e.g. $100, for services of doctors, teachers, assets not owned by the poor, etc. Then supplying the needs of two poor people ($400) would at best generate income (e.g. through value added by unskilled labor) to cover the needs of only one ($200). Therefore, an additional $200 of income would need to be generated by employing a poor person in some other activity (or in production that goes beyond BHN supply objectives). Secondly, it may be that an income of $300 is required to evoke a pattern of consumption that includes the basic needs bundle costing $200. (This possibility is discussed more thoroughly in the section on transfers.) Then even if all value added in production of essential goods and services accrued to the poor, expansion of employment and income would need to extend beyond that connoted by BHN supply targets.

distribution may appear to be the most practicable way of effecting redistribution through transfers. Nonetheless, decisions and policies directed toward generating the capacity to provide public services are in principle distinct from policies that determine the rates charged for these services.

A. Policies for Promoting More Productive Employment

There are several well known sets of policies that developing countries might consider in their efforts to expand productive employment.[14/] First, developing countries can implement policies that lead to changes in access to the existing stock of productive assets. Since most of the poor are located in rural areas, and most of these work in agriculture, increased access to land and water is the most important example. The ILO has pointed out that "in many countries the implementation of the (basic needs) strategy is likely to have to begin with agrarian reform ... agrarian reform is likely both to increase the supply of basic food and to ensure that it is distributed to some of those in greatest need".[15/] Policies that would increase the access of the poor to land include direct redistribution of land, changes in tenure arrangements whereby returns to land would accrue in larger degree to the poor, and development and settlement of new land. The feasibility of agrarian reform depends on the overall availability of land and the pattern of ownership. The

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14/ For a more thorough exposition see Chenery and Associates (1974) as well as Frank and Webb (1978). For a pioneering modeling effort that systematically appraises the effects of many of these policies, see Adelman and Robinson (1978).

15/ International Labour Office (1976), p. 61.

political and administrative constraints on successful agrarian reform are formidable. Even where agrarian reform can be carried out, a necessary condition for success in terms of increased productivity is availability of complementary inputs including seed and fertilizers, access to credit and technical assistance, other agricultural services such as marketing and storage, and of course, water.

A second type of policy involves redirection of investment along patterns that would increase access of the poor to productive resources. This might involve widened access to tools or equipment for the self-employed poor (e.g. farm implements, looms, etc.) Another policy would be to increase public investment in certain types of infrastructure and services that support productive activity carried out by the self-employed poor (e.g. rural public works, credit and marketing facilities, research and extension). Rural public works are an example of the dual potential of generating considerable employment in their construction as well as creating assets which can facilitate the expansion of production and employment among the poor in a key sector.[16/] Finally, investment in human capital in the form of more extensive education beyond basic needs requirements may further improve the productivity and skills of the poor.

A third type of policy would involve adjustment of the relative prices of capital and labor, so as to encourage employment of the currently abundant resource, unskilled labor. This may call for changes

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16/ See Lewis (1978).

in the structure of tariffs and the exchange rate(s) which currently encourage imports of capital equipment associated with capital-intensive technology, and discourage labor-intensive exports. Further, there may be scope for policies affecting interest rates, credit allocation and fiscal incentives in directions that will expand employment. Finally, minimum wage policies should take account of the effects on total employment as well as on income of the employed.[17/]

The success of policies affecting the relative price of labor depends on how well production techniques respond to such price changes. A fourth type of policy, therefore, would include measures that encourage and promote responsiveness of production techniques to relative factor prices, and the underlying factor endowments in LDCs. Such policies would include efforts to develop and disseminate information on appropriate technology and techniques that are both labor-intensive and efficient. They would also include policies to promote research and development activities which focus on technological improvements in labor-intensive activities and sectors.[18/]

Finally, policies that directly influence the composition of output can promote employment by encouraging the production of goods that are labor-intensive rather than those which are capital-intensive. Aside from efforts to expand production in core basic needs sectors, which will have a positive employment impact, policy makers can offer a variety of incentives in sectors and activities that are suitably

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17/ This is analyzed in considerable depth in Little, Scitovsky, and Scott (1970).

18/ For more detail see Singer (1978).

labor-intensive. (These incentives are discussed in part C, on policies to influence production and supply.) In particular, policies aimed at export expansion will tend to generate employment insofar as the comparative advantage of many low-income developing countries lies in abundant labor.[19/] Further, as income distribution becomes less skewed, reflecting increases in income levels of the poor, there is some evidence that the composition of final demand will in some measure shift in the direction of more labor-intensive goods and services.[20/]

As generation of employment plays a key role in a basic needs strategy, this points towards a greater, but not exclusive priority on labor intensity in the general structure of production. This priority on labor intensity reflects considerations of both equity and efficiency. To the extent that labor is abundant and capital scarce, and relative prices do not reflect relative factor scarcities, policies that affect input prices and technology so as to induce substitution of labor for capital are likely to result in greater efficiency and output. At the same time, there are some clear examples of appropriate capital-intensive production processes. For instance, the techniques associated with exploitation of certain natural resources may be exclusively capital-intensive. Secondly, certain inherently capital-intensive goods and activities such as electric power generation usually cannot

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19/ For a thorough study of the relation between trade regimes and employment see Krueger (forthcoming).

20/ For a critical review of some of the recent evidence that has tended to discredit this hypothesis, as well as some new findings in support of the hypothesis, see Thirsk (1977).

be imported, and must be produced domestically. Finally, for some tradeable goods transport costs may be so high that they are more cheaply produced domestically, even at prices reflecting relative factor scarcities (e.g. cement).

Similarly insofar as most of the poor in most countries are in rural areas, the strategy points toward a greater but not exclusive weight in terms of policy efforts to rural development. Indeed, the problem of poverty in many developing countries has been exacerbated by an over-allocation of resources to capital-intensive industry located in urban centers that is "modern" in the sense of replicating production patterns in capital-rich industrialized countries, but not in the sense of corresponding to current and future conditions in developing countries.[21/] In many countries a basic needs approach would call for some redress of this imbalance. A focus on productive employment in rural areas will tend to reduce pressure on over-burdened urban public services that has resulted from rural/urban migration. However, in some countries, particularly the "middle-income" developing countries, the problem of poverty is to a greater degree concentrated in urban centers, calling for employment policies that seek to raise productivity in the informal urban sector and expand employment more rapidly in the formal urban sector.

B. Policies Regarding Income Transfers

Apart from the general role of transfers as a redistributive device, there are at least two rationales for income transfers in the

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21/ See Lipton (1977).

context of a basic human needs approach. The primary rationale is that some of the poor cannot be productively employed, nor do they have access to incomes of productively employed individuals. These include some of the chronically ill, the aged, and children, who are not provided for by families or other private sources. If the basic needs of these groups are to be met, then some type of transfer will be necessary. Typically, these transfers would be "in kind" -- free food, health services, etc. Transfers in kind are generally superior to transfers in cash when the goal of the transfer is to achieve consumption levels of specific goods and services.[22/]

The second rationale for transfers is more complex. In this case, the need for transfers arises from the possibility that a family may have sufficient income to meet basic needs (including access to public services) but may nonetheless allocate that income in ways that do not satisfy these needs so that consumption deficiencies persist. For instance, lack of information and/or established tastes may steer food consumption towards items that are low in nutritional value. Secondly, the virtues of clean water, sanitation facilities, and preventive health measures may not be readily appreciated. Finally, there may be intra-family distributional problems that prevent the needs of women and children from being met.[23/]

21/ See Lipton (1977).

22/ Assuming consumers place some value on the good or service in question, and assuming that there is limited fungibility, e.g. education services. See Mishan (1968).

23/ Some of these issues are discussed more fully in Leipziger and Lewis (1978) and Streeten (1977).

It is extremely difficult to gauge the magnitude of these sorts of problems, and even more difficult to determine appropriate policies. There are at least three broad, non-exclusive approaches, focusing on tastes and preferences, income and prices.

The first approach includes efforts to accommodate existing preferences (e.g. nutritional additives to preferred but relatively unnutritious food) and efforts to change these preferences through improved information. In this respect participation of the poor in the determination of basic needs and the policies for satisfying them can play a critical role. Participation is often mentioned as an important element in a BHN approach. The importance of participation of the poor in the determination and achievement of BHN objectives lies not only in considerations of the more intangible aims of the strategy, but also in efficiency considerations. From the standpoint of efficiency, participation generates crucial information about the needs, preferences, and capabilities of the target groups that basic needs programs are meant to benefit, as well as the environment in which these programs are carried out. At the same time, participation provides timely information to target groups so that they may fully take advantage of these programs. In terms of broader aims of the strategy, genuine participation enhances one's sense of individual autonomy, dignity and self-respect.

The second possibility for overcoming such consumption deficiencies is to increase incomes beyond the minimum for meeting basic needs. For instance, while an income of $200 per capita per year may be just

sufficient to satisfy nutritional and other basic requirements, an income of $300 may be the minimum income that actually results in choice of a diet that meets nutritional standards. More generally, as long as there is a positive preference for the goods or services in question, there is some level of income that will produce the desired consumption level. However, this tends to increase resource requirements for a given set of consumption targets, since target income levels are higher than the bare minimum.

A third possibility -- which may be cheaper than the second in some cases -- is to alter consumption patterns through transfers in kind and price subsidies. For instance, subsidies on nutritious types of food will tend to shift consumption patterns in the desired direction. Similarly, clean water may have to be offered virtually free of charge to persuade people not to use contaminated sources that are freely available and conveniently located. The obverse of these policies is to tax consumption of non-essential goods and services, a form of negative transfer in kind.

Transfer policies can be clarified somewhat by looking at specific components of basic needs. Transfers of health and education services are not uncommon. Transfers related to private goods such as food and housing are also frequent, but can be quite problematic, since they can entail disincentives to producers.[24/] Further, opportunities for graft and corruption are plentiful, since there are

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24/ See Isenman and Singer (1977).

private markets for these same goods.

In terms of the balance between transfer policies and employment policies in reaching income and consumption goals, it is apparent that the primary focus must be on generating more and better employment opportunities. Insofar as poverty reflects underemployment, primary reliance on transfers would be inefficient in that underutilization of labor resources would be perpetuated. Moreover, in most cases, it would be infeasible in terms of political, economic and administrative constraints. As far as political constraints are concerned, primary reliance on transfers would imply a substantial redistribution of current income in most countries, in forms and magnitudes that would probably be unacceptable. Economically, current levels of per capita income in many countries are barely above levels that would satisfy basic needs, so that increased employment and growth will be necessary to provide sufficient output to meet basic needs. Finally, the administrative costs of a transfer approach in terms of manpower, managerial skills and leakages would be substantial.

At the same time the constraints facing employment policies are not to be underestimated. Policies involving land reform, redirection of investment, changes in the relative price of capital and labor, and adoption of appropriate technology will in varying degrees encounter stiff opposition from some groups. However, the virtue of this approach is that through better utilization of labor, growth of output and incomes can be enhanced. This will -- for a given income target -- diminish the amount of income redistribution required, both in relative and absolute terms.

C. Policies Regarding Private Goods

On the income side, the distinction between earned income from more productive employment, and unearned income in the form of transfers is analytically clear-cut. However, on the supply side, the distinction between those basic goods and services that are essentially private, and those which are public, is conceptually rather blurred. Public sector provision of a good or service is frequently justified by a substantial degree of joint consumption (the pure case being national defense, which everyone consumes jointly) and/or by technological considerations that provide for natural monopolies (e.g. urban water and sewerage facilities), although some natural monopolies are privately operated under public regulation (e.g. some utilities). In theory, virtually all goods and services that meet basic needs could be efficiently produced privately, with public sector intervention in production limited to regulation in some cases and provision of a few essentially public inputs such as agricultural research and extension services, infrastructure, disease eradication measures, etc. In practice, there is a mix between public and private production that varies from country to country, depending upon a variety of factors apart from those mentioned above.

This section of the paper deals with policies for achieving supply objectives for goods such as food, clothing and shelter that are usually produced privately. Such essential goods have few if any external benefits associated with their consumption, and techniques for their production are such that they are not natural monopolies.

Nonetheless, developing country policy-makers may need to concern themselves to some degree with policies that ensure availability of some of these goods where they are not already available or likely to become available in sufficient quantities. Indeed, while attention to the composition of output is one of the key distinguishing features of the basic needs approach, the extent of intervention in private markets can range from near laissez faire to direct public production, depending on the general organization of production and the underlying political and social values; on how well markets might respond to an increase in demand; and on the perceived importance of self-sufficiency in production of basic needs commodities such as food.[25/]

Policies directed towards production in private sectors of the economy would in general focus not only on those sectors that produce essential final products such as food, housing, and clothing, but also on private sectors that supply material inputs such as seed and fertilizer, building materials, and intermediate textiles.

For private goods, supply generally is possible through some combination of domestic production and imports. (Even simple housing could hypothetically be imported, at least in nearly complete form). An important political and economic issue, especially with respect to food, is the extent to which countries should strive for self-sufficiency in production of essential goods. From the standpoint of economic factors, this would depend in general on notions of efficiency and

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25/ Where self-sufficiency (i.e. domestic production at least equal to domestic consumption) is perceived to be important (for political reasons, considerations of risk and uncertainty, etc.) public intervention might be necessary to raise production levels above those corresponding to purely private considerations.

comparative advantage broadly conceived to include not only considerations of factor endowments (labor, capital, natural resources), technology, demand factors, and transport costs, but also other considerations such as the uncertainty surrounding foreign supplies of imports (and demand for exports); the vital nature of the commodities in question; dynamic factors such as technological change; and adjustment costs of changes in the composition of production. While self-sufficiency in food production is often mentioned in the context of basic needs, such a goal could be quite costly in economic terms.

A particularly important consideration in decisions about domestic versus foreign supply is the crucial role of employment in the overall basic needs approach. Fortunately, insofar as the abundant resource in most developing countries is unskilled labor, employment and efficiency considerations are likely to coincide. However, these considerations do not indicate a priori the degree of specialization and reliance on trade versus self-sufficiency. For instance, one scenario of extreme specialization could have the poor employed in sectors and activities that produce solely for export, with adequate supplies of essential private goods secured through imports. At the opposite extreme, a polar case would have each poor household become self-sufficient in producing its own food, clothing, shelter, etc. Thirdly, a less extreme point on the spectrum would entail national self-sufficiency in production of essential goods, but specialization within the country, e.g. some of the poor working in construction, others in textiles, others in sectors that produce

non-essential goods. The important point is that each of these three examples, as well as intermediate cases, could be consistent with both employment and supply objectives in a basic needs strategy. The appropriate degree of specialization in a particular country will depend on a variety of factors such as overall income levels, country size, land endowments and environmental considerations, political and social factors, the current structure of production, etc.

There is a wide range of familiar policy instruments appropriate in one country or another to ensure adequate production and supplies of basic goods, in cases where the response of private markets to increased demands is inadequate. Various forms of price policies, such as subsidies to producers of essential goods and taxes on production of non-essential goods are one possibility for affecting the pattern of production. Secondly, since investment within some sectors is constrained by internal sources of funds, there is considerable scope for intervention and improvement in credit markets to increase mobility of financial capital.[26/] Thirdly, production and certainly distribution in private sectors is dependent in varying degrees on various public services and infrastructure, so that public investment that provides or upgrades these services will promote increased output and influence the location and distribution of this production. Fourthly, policy-makers can implement measures to improve the functioning of private markets, by policies that promote competition, and by regulation of industries that are natural monopolies because of economies of scale, limited markets, etc. A final policy option is direct public production of essential goods.

26/ This point is emphasized in Pyatt and Thorbecke (1976).

For example, the scope for public policies to promote private sector food production is quite large and well-recognized. There are significant investments to be made in areas traditionally reserved to the public sector owing to the difficulty of charging prices or because of the large fixed investment cost involved. These include agricultural research, extension and infrastructure, but may also include marketing, storage and credit facilities. Government pricing policies with respect to food are prevalent, but not always well-conceived. For instance, in many developing countries, food prices have been kept artificially low so that food production has been discouraged, and incomes and employment of the rural poor have been depressed. At the same time, however, consumption of an important commodity has been encouraged with favorable effects on the urban poor. In general, pricing policies (including minimum wage laws) can be expected to have mixed effects both on the allocation of resources, and also the distribution of income, effects which need to be foreseen and taken into account.

In the area of housing, development of sites and public services for low-income housing, provision of credit and materials for housing improvements and direct public production have become increasingly important, particularly in urban areas. The example of site development suggests the more general need for an integrated approach and planning capability to coordinate geographically policies having to do with employment, and policies that affect production and distribution of both private goods and public services.

The implications of a basic needs approach for the overall pattern of production, in particular the relative weights to agriculture versus industry, depend on strategies for achieving income and supply objectives. These strategies can be expected to vary from country to country. First, these weights will depend on the pattern of domestic production that underlies the securing of adequate supplies of core private commodities. Expansion of domestic food production, or of general agricultural production and exports to finance imports of food, obviously points toward an emphasis on agriculture. On the other hand, increased industrial exports to finance imports of food, expansion of construction of low-cost housing and increased production of manufactured intermediate inputs indicate an important role for industry. Secondly, the larger the portion and absolute numbers of poor in urban areas which employment policies aim to affect, the greater will be the emphasis on industry as opposed to agriculture. Finally, within the rural sector, where most of the poor are located in most countries, the emphasis on agriculture versus industry will reflect the particular policies implemented to achieve employment objectives. For instance, agrarian reform points to an emphasis on policies that encourage and promote agricultural productivity; efforts to employ the rural poor in non-farm activities may point to industry.

The implications of the basic needs approach for investment priorities are similarly dependent on country-specific factors. Increased satisfaction of basic needs calls for policies that promote

productive employment and ensure adequate supplies of goods and services that meet basic needs. The latter consideration immediately points to investment to ensure adequate capacity in core areas of food, construction of low-cost shelter, etc. It may also call for investment in production processes that provide material inputs and in activities directed towards export expansion to finance the import requirements for meeting supply goals in core basic needs sectors. Finally, investment in infrastructure to support production and distribution of these goods and services will also be required. Investment in these sectors should be in forms that promote efficient, labor-intensive production processes, in keeping with the employment objectives of the strategy.

As demonstrated earlier (footnote 13), the expansion in productive activity that ensures an adequate supply of basic goods and services will generally not be sufficient to attain employment objectives. Accordingly, income objectives would call for investment in forms and areas that effectively promote productive employment among the poor. The types of policies chosen to achieve employment objectives will have direct implications for the pattern of investment.

Regarding implications for investment priorities central to more familiar development strategies, the question is not whether a basic needs approach calls for more or less effort in areas of infrastructure, export earning capability, or industrialization. Rather the question is what kind of infrastructure, export activity, and industrialization in light of an expanded and refined set of objectives. A basic needs strategy focuses not just on the aggregate level of output, but on the

composition and distribution of output, and particularly on employment. It is in terms of such objectives that rates of return to various programs and projects must be evaluated and the optimal pattern of investment determined.

D. Public Services

In general, not all of the goods and services essential to well-being will be produced privately. Theoretical considerations (mentioned on page 24) do not clearly point to a need for public production of health, education and water and sanitation facilities, and examples of private production in each of these spheres are readily apparent. Nonetheless, provision of such services frequently entails production and distribution under public auspices. In such cases, the policy implications of this element of a basic needs strategy are straightforward, though novel in certain aspects compared with conventional health, education, and public utility policies. For instance, a frequently occurring problem is that facilities providing public services are in various respects inaccessible to the poor. This is not only a matter of location (reflecting the general imbalance of policy focus towards the central city, at the expense of outlying areas), but also of mis-matching of the types of services offered with the needs of the poor, and of insufficient information and communication. As an example of former, the poor probably cannot take advantage of advanced education, and may find traditional primary education of little use in terms of information and skills that are taught. As an example of the latter, clean water may be physically accessible, without any

appreciation of its importance for preventing disease. In this regard, the emphasis on participation of the poor is particularly crucial in planning, setting up and maintaining the facilities that provide public services.

The provision of public services should reflect the priority on generation of productive employment that is an essential element of a basic needs approach. The importance of appropriate technology and efficient labor-intensive production methods extends to provision of these services. Use of local resources, especially relatively unskilled labor, to set up and maintain the services can economize on more expensive resources and also heighten awareness and involvement of the community in the service.

Important interdependencies and linkages among basic needs goods and services that should be taken into account in general are particularly evident in the provision of public services. For instance, clean drinking water and adequate diets will lessen the demands on health services. Educational services can impart information about the importance of nutrition and sanitation in maintaining health.[27/]

Some of the most important policy issues surrounding public services have to do with how these services are to be financed, including both set-up costs and recurrent costs.[28/] While some of these issues

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27/ See Brown and Burki (1978).

28/ For a good discussion of these issues see Curry (1978).

belong under the heading of resource requirements -- a topic beyond the scope of the present paper -- a few comments should be made, particularly since the public service component of basic needs frequently raises the specter of stagnant economies in which high welfare costs perpetuate low levels of income by reducing savings, investment, and growth.

Setting up health clinics, schools, and other public services -- including both construction and training of personnel -- is no less a form of investment than building a factory that produces consumer and/or producer goods (say household appliances). In each case, the investment represents a gross addition to the capacity of the economy to produce valuable goods and services in the future. The productivity of such investment depends upon the value -- net of variable production costs (i.e. recurrent costs) -- of the ensuing stream of output. In the case of the factory, productivity of the investment would be determined by the net market value of household appliances produced by the factory. Abstracting from problems of divergence between shadow and market prices, it would be appropriate to undertake this investment if the net market value of the output were anticipated to exceed the interest and amortization payments associated with borrowing to finance the investment.

In the case of social services, these have a market value as indicated by the fact that people are generally willing to pay fees for such services. Further, this is likely to understate the social value because of the meritorious nature of such services, whereby consumers tend to underestimate their private value, particularly with respect

to their investment components (e.g. many forms of education and preventive health services);[29] and because of external benefits in consumption, whereby one person's consumption of such services may have positive effects on the well-being of others. Comparing the net value of output with costs of investment, there is no a priori basis for concluding that expenditures associated with building a factory are more productive than expenditures associated with building a school.

The means for financing investment and recurrent costs in the example of the factory is ultimately established by market prices. In the case of social services there are several non-mutually-exclusive sources of finance to cover recurrent and investment costs. If a basic needs approach is successful in generating more productive employment, higher incomes and increased output among the poor, then more resources will be available to help finance these costs. An immediate possibility is employment of the poor in constructing and administering these services, a form of "taxation in kind." The second possibility is to generate employment for the poor that is sufficiently productive so that the poor can afford to pay direct fees to cover the costs of public services. However, for reasons mentioned earlier, such fees may be counter-productive in terms of promoting consumption of essential services, since the perceived private value of such services is likely to be less than actual private and social value. A preferable

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29/ The general concept of merit goods is analyzed in Head (1974) and is applied to the basic needs approach in Leipziger and Lewis (1978).

alternative may then be to directly tax some portion of the income or output associated with more productive employment of the poor, and then use these revenues to finance services delivered at fees that are correspondingly less than costs.

These possibilities are based on simultaneous expansion of earned income among the poor, and production and distribution of essential public services. To the extent that basic needs policies do not initially raise earned income of the poor, then the scope for financing expanded production and distribution of social services will depend on the extent to which the existing pattern of public expenditures can be changed (e.g. from military expenditures to health expenditures, or within health towards delivery systems that are more responsive to basic health needs)[30], and/or on the extent to which new revenues can be generated (through increased fees and taxes paid by the non-poor). As both of these options are essentially redistributive, they could be politically quite difficult. Accordingly, an important (and difficult) task is to coordinate the pace of expansion in supply of essential goods and services with the rate of increase in income and employment. The framework elaborated earlier in this paper is designed to facilitate this task.

30/ The most recent IBRD review of world development suggests that only ten percent of health budgets in developing countries are allocated to provision of basic health services. See IBRD (1978), p. 36.

III. The Implications of a Basic Human Needs Approach For Growth Rates of GNP

The discussion so far has been concerned with ways in which growth of income, output and employment serve the purpose of meeting basic needs. Insofar as growth is not an end in itself, but rather a means for achieving more ultimate objectives, this perspective was appropriate. Nonetheless, it is of interest to turn the question around and ask how a basic human needs approach will serve the purposes of achieving high rates of growth in GNP. This question can be addressed by looking at various sources of growth and asking how a BHN approach would work through each of these channels. These sources of growth include increases in stocks of productive resources in the economy, increases in the economic efficiency with which these resources are employed, and technological change.

Regarding increases in stocks of productive resources, the immediately apparent source of growth is savings and investment, which lead to increases in the physical capital stock. Two broad considerations help determine decisions about savings and investment. First, how much more consumption in the future is afforded by foregoing one unit of consumption now, i.e. how productive is investment? While many factors affect the productivity of investment, this is essentially a technical question. The second consideration is subjective, namely, how important is consumption now compared with consumption in the future, i.e. the rate of time preference? A starving man faced with the two possibilities of one loaf of bread now and one loaf later,

or no loaves now and four later will tend to pick the first, however, attractive the second on technical grounds.

The latter consideration suggests that a BHN approach will tend to lower the aggregate domestic savings rate [31/] since the rate of time preference -- the future return necessary to induce a person to forego one unit of consumption now -- is likely to be higher among poor people, who by definition are not consuming enough to meet basic needs. According to this line of reasoning, taking the needs of these people more into account will result in higher current consumption and lower rates of savings and investment, leading to less growth in GNP. The conclusion reached is that a BHN approach is unadvisable for countries seriously concerned about economic development.

There are at least three critical questions that need to be answered before this line of reasoning can be accepted. First, will the rates of domestic savings and investment actually decline? Secondly, will the GNP growth rate decline? Thirdly, does a lower rate of growth imply that a BHN approach is contrary to developmental interests? The answer to the first question is quite uncertain, and depends on several considerations. First of all, considering provision of basic goods and services as essentially a matter of consumption, the effect on aggregate rates of savings and investment of meeting basic needs depends on the extent to which consumption rather than income is redistributed. As an extreme case, if all of the increase in consumption of the poor came at the expense of consumption (but not

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31/ Defined as the ratio of total domestic savings to total income or GNP.

savings) of the non-poor, then the savings rate would not decline. To some extent this can be achieved if current expenditures on public services are re-oriented rather than expanded, for instance, towards services provided by rural clinics, primary schools, and central water taps and away from public expenditures that tend to correspond to non-essential consumption of the non-poor.[32/] Also, policy instruments such as interest rates and consumption taxes can be used to increase incentives (or reduce disincentives) to save, and thereby affect savings propensities.

Further, a more careful analysis of what constitutes savings and investment indicates that much of the expenditures that might be associated with a BHN approach actually represent investment. A substantial part of the "current" expenditures on health, education and improved diets will result in increases in the stock of productive assets available to the economy, i.e. labor., Such increases are essentially investment, the productivity of this investment depending crucially on how effectively labor can be employed. Further, expenditures on housing and water and sanitation facilities represent increases in the physical capital stock, since these expenditures produce durable assets that yield services on into the future. Increases in incomes of the poor that are allocated to these types of expenditures are more accurately classified as investment and savings than consumption.

32/ The IBRD estimate cited earlier -- that only 10 percent of public health expenditures go to basic health services -- suggests considerable scope for such reorientation. IBRD (1978), p. 36.

Finally, while a skewed income distribution may result in a higher recorded savings rate, these savings are not necessarily translated into productive domestic investment. Wealthy savers may instead invest in financial or physical assets abroad, or else in speculative domestic land transactions. Such "investment" yields little or no return to the domestic economy in terms of increasing the stock of productive resources. Accordingly, a decline in the savings rate would not entail a concomitant decline in the rate of productive domestic investment.[33/]

Suppose, however, that rates of savings and investment properly measured do decline. Will this result in a lower rate of growth? In an economy operating at full employment, with resources efficiently allocated, the answer would tend to be yes. However, developing countries are generally characterized by underutilization of labor and misallocation of resources. A basic human needs approach that aims at increasing the income of the poor by generating productive employment will tend to use both labor and capital more effectively, in sectors and processes more appropriate to the factor endowments of developing countries. To the extent that a BHN approach results in more effective and more complete utilization of resources, particularly labor, the result will be significant increases in GNP. This growth could even come about without any net increase in capital, insofar as

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33/ See Harburger (1978).

the economy is using existing supplies of labor, capital, and land more effectively.[34/]

The essential point is that an increase in the physical capital stock is only one of several possible sources of growth. Other sources include increases in the quantity and quality of other factors of production (labor and human capital, land) and improvements in technical and economic efficiency with which these resources are employed. A BHN approach emphasizing more effective employment of labor is commendable not just from the standpoint of equity, but also efficiency. Such an approach, if successful in improving resource allocation, will tend to generate increases in GNP.

Furthermore, levels of savings and investment may then increase, even if rates of savings and investment were to decline. The gains in efficiency and output suggest that the rates will be applied to a larger level of income. The result of these two factors could be higher, lower, or equal levels of savings and investment.

So far, it has been argued that a BHN approach may or may not result in declines in rates of savings and investment; that even if there are declines in these rates, the effects on growth will nonetheless tend to be offset by better utilization of labor; and that this latter impetus to growth may be so great as to generate comparably high levels of investment and savings even if the rates do decline.

34/ Hans Singer, in an address to the International Development Conference in February 1978 estimated that current underutilization of labor in developing countries amounts to an unemployment rate of 25 percent.

A final source of growth -- technological change — needs to be considered. It may be that technical progress is most rapid in those sectors and processes that are capital-intensive -- those least suited to the factor endowments of developing countries. In this case there may be a conflict between static efficiency considerations, which point to expansion of production in labor-intensive sectors, and dynamic considerations that point to the opposite pattern of expansion. On the other hand, it may be that possibilities for rapid technical progress simply have not been exploited in labor-intensive processes, because there have not been sufficient priorities or incentives with respect to better utilization of labor.

Suppose, however, that with all things considered -- savings, investment, employment and technological change -- a developing economy will grow faster following a capital-intensive pattern of growth than a labor-intensive pattern of growth that enables people to meet basic needs. Opting for the higher rate of growth will tend to result in a more skewed distribution of income, a high degree of underutilization of labor, a pattern of production ill-suited to meeting basic needs, and, consequently, a pattern of growth with little direct impact in terms of reducing poverty. Furthermore, the political structure that would accompany such a concentrated pattern of growth would not likely generate fiscal mechanisms (e.g. taxes and transfers) that would redistribute the benefits of growth to the poor. At this point one would have to question the benefits of a higher rate of growth, and ask why indeed is more rapid growth important.

Conclusion

This paper has attempted to represent the basic needs approach as a sound organizing framework for development planning. The crucial premise is that the development process should provide for sustainable improvements over time in the well-being of those currently too poor to satisfy their basic human needs. The basic needs approach establishes explicit links between this objective, and more tangible objectives having to do with employment and income among the poor, and production and supply of essential goods and services. These objectives can be systematically linked to some general types of policies that are on the whole quite familiar. There is no presumption that all of these policies would be appropriate in all countries, but rather that any country concerned with satisfying basic needs on a sustainable basis could identify some subset of these policies that would be both effective and appropriate given its particular political and economic circumstances. This specific set of policies would in turn have implications for various measures that donors could undertake in support of developing country efforts to meet basic human needs.

A necessary, but not sufficient, condition for meeting basic needs in most developing countries is substantial growth in output and income. However, achieving basic needs objectives depends crucially on the pattern of growth in terms of the composition of increases in output and the distribution of increases in income. The BHN approach provides explicit criteria by which to evaluate alternative patterns of growth, according to their contributions to increased and more productive employment, and to adequate production and supply of essential goods and services.

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